FD-263 (Rev. 12-19-67)

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FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE	OFFICE OF ORIGIN	DATE	INVESTIGATIVE PERIOD	
BALTIMORE	NEW HAVEN	6/16/69	5/29-6/16/69	
TITLE OF CASE		REPORT MADE BY		TYPED BY
HARTFORD FIRE INSURANCE CO.; INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION		SA [redacted]		bjd
		CHARACTER OF CASE		
		ANTI-TRUST		

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REFERENCES:

Bureau letter to New Haven, 5/23/69;
Baltimore report of SA [redacted] dated 6/4/69.

\- RUC -

ADMINISTRATIVE DATA:

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Each individual interviewed was advised that this investigation was being conducted at the specific request of Assistant Attorney General [redacted] Antitrust Division, U.S. Department of Justice.

ACCOMPLISHMENTS CLAIMED					[X] NONE	ACQUIT-TALS	CASE HAS BEEN:
CONVIC.	AUTO.	FUG.	FINES	SAVINGS	RECOVERIES		PENDING OVER ONE YEAR [ ] YES [X] NO PENDING PROSECUTION OVER SIX MONTHS [ ] YES [X] NO

APPROVED SPECIAL AGENT IN CHARGE

DO NOT WRITE IN SPACES BELOW

COPIES MADE:

2 - Bureau (60-6831)
2 - New Haven
1 - Baltimore (60-397)

60-6831-16

REC-84

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Dissemination Record of Attached Report			
Agency			
Request Recd.		PAID by	
Date Fwd.	6-24-69		
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By		DDG: MH	

Notations

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GPO : 1968 O - 299-885

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FD-204 (Rev. 3-3-59)

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

Copy to:

Report of: SA [redacted] Office: BALTIMORE, MARYLAND b6 b7C

Date: June 16, 1969

Field Office File #: 60-397 Bureau File #: 60-6831

Title: HARTFORD FIRE INSURANCE COMPANY; INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION

Character: ANTI-TRUST

Synopsis: Agents for the Hartford Fire Insurance Company in Baltimore area advise they do not have any data showing the ranking of their company in this area. Agents did not know the exact effect the merger of Hartford and ITT would have on them, however, if ITT did direct Hartford's surplus in other operations of ITT, this would weaken Hartford's capacity to accept risks and would have a direct effect on its Agents. Maryland builders advise that the merger would give ITT - Levitt and Sons an advantage over competition through added financial backing toward the purchase of land for future development. The combination of ITT and Levitt and Sons has resulted in a competitive advantage for Levitt and Sons, by providing more capital and making financing more easily attainable. Details of interviews set forth.

- RUC -

DETAILS:

FD-302 (Rev. 4-15-64)

FEDERAL BUREAU OF INVESTIGATION

Date 6/3/69

Mr. [redacted] Riggs-Warfield-Roloson, Inc., 109 East Redwood Street, telephone [redacted] was interviewed at his office. Mr. [redacted] requested that Mr. [redacted] be present. Mr. [redacted] thereafter furnished the following information: b6 b7C

Riggs-Warfield-Roleson is one of the largest, if not the largest, independent insurance agencies in Maryland; the firm and its predecessor firms have been in business since 1885. The firm has had an agency contract with Hartford Fire Insurance Company (Hartford) since 1964. The firm also has similar agency contracts with some six or eight other insurance companies.

Mr. [redacted] declined to furnish the amount of premiums it writes each year, stating that this is a trade secret. b6 b7C

Hartford does not have any exclusive agents in the Baltimore area; its agents are firms similar to Riggs-Warfield-Roleson. The agency doing the largest volume of business for Hartford in this area is probably Poor, Bowen, Bartlett & Kennedy, Inc., Maryland Trust Building, Baltimore, Maryland, telephone (301) 539-6004.

Insurance may be classified into two broad categories, viz., personal and commercial. Personal insurance consists of automobile insurance and homeowners' (property) insurance.

In the category of personal insurance in Maryland, including both automobile and homeowners' insurance, the three leading companies are State Farm Insurance, Allstate Insurance and Nationwide Insurance. Between them, they probably write 50 per cent to 70 per cent of all the personal insurance in Maryland, primarily automobile insurance.

On 5/29/69 at Baltimore, Maryland File # BA 60-397

by SA [redacted] tms 2 Date dictated 5/29/69 b6 b7C

After the foregoing three companies, Hartford is an important segment of the remaining market, along with U.S. Fidelity and Guaranty Company, Aetna, Maryland American General Group and Travelers. Aetna is probably first in this group, and Hartford, second.

The foregoing estimates were based on Mr. [redacted] general knowledge of the field. He was not able to break down this estimate specifically into the rank and share of business Hartford holds in property and liability insurance in the Baltimore or Maryland area. However, such data is available in detail for Maryland from the State Insurance Commissioner, who maintains statistics by company, area, and line of insurance.

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Mr. [redacted] had no specific data available concerning, and could not estimate with any degree of accuracy, the amount of business generated by the various Levitt developments in Maryland for homeowners' and fire and extended coverage insurance, or what part of the total homeowners' and fire and extended coverage sold in Baltimore or Maryland is represented by insurance covering Levitt homes. However, Levitt is a major builder, and insurance business generated by Levitt developments is large and probably represents a substantial amount.

In the field of commercial insurance - anything other than personal insurance - Hartford is one of the major companies, possibly the most important one. In Mr. [redacted] opinion, commercial insurance is more important than personal insurance from the standpoint of the insurance companies and agencies.

Mr. [redacted] is not specifically aware of any homeowners' or fire and extended coverage insurance sold by his agency to a purchaser of a new -- as opposed to resale purchaser -- Levitt home. He checked with his underwriting supervisor for such information; the supervisor advised Mr. [redacted] that he did not recall the sale of any such insurance, although there may have been a few such sales.

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The major Levitt developments in Maryland are in Prince Georges County (suburban Washington, D.C.), and it would be reasonable to suppose that insurance sold to purchasers in that area would be handled by agencies there rather than in Baltimore.

Levitt is building some homes in Columbia, Maryland, a "new city" development between Baltimore and Washington, but the Levitt operation there is still on a somewhat limited scale.

Mr. [redacted] does not know of any specific b6
instance where Riggs-Warfield-Roloson lost a customer to b7C
Levitt when the client purchased a Levitt home, nor does he know the identity of any other agent or agency who has lost customers to Levitt.

Maryland has a state law prohibiting coercion of homeowners by lenders as far as insurance is concerned. This law requires the lender to accept any insurance the purchaser offers if the insurance meets legal requirements. Sometimes this is not particularly advantageous, as some of the acceptable insurers are not very good.

However, the law is working fairly well, and most of the banks and savings and loan associations which finance home mortgages in Maryland obey the law scrupulously.

This is not to say that there are no "tie-in" deals. One of the major problems facing a home buyer is obtaining mortgage money. If a developer offers a "package" to a prospective home buyer, the buyer is not likely to quibble over what company underwrites the insurance.

In the case of Levitt developments, Levitt quotes a package price for its homes. This price is all-inclusive; for example, the purchaser does not have any settlement
fees to pay. Mr. [redacted] believes, although he does not b6
know this as a fact, that the Levitt package probably includes b7C
homeowners' insurance.

Levitt does arrange financing for purchasers of new homes. While Mr. [redacted] does not know the source, or sources, of such financing, Levitt does have large amounts of money available.

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Levitt also obtains large amounts of "pre-financing," or long-term commitments arranged several years in advance of the time the financing will be required by purchasers of new Levitt homes.

While Mr. [redacted] knew of no specific instance where Riggs-Warfield-Roloson had lost an insurance customer to Levitt, the agency has lost some customers through tie-in practices. For example, a renter had a tenant's policy placed through Riggs-Warfield-Roloson. When this customer purchased a home (not from Levitt), he called to state that he wanted to continue with Riggs-Warfield-Roloson, but in order to consummate the mortgage, he was placing his insurance through another firm. The customer was advised that Maryland law prohibited coercion by the lender, but the customer indicated that he had to go along with the lender to obtain the mortgage. Since it was a relatively small transaction, Riggs-Warfield-Roloson did not pursue the matter. However, if International Telephone and Telegraph Corporation (ITT) and Hartford complete their proposed merger, it is reasonable to speculate that such incidents could be magnified to the detriment of agencies now in the home insurance field.

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It would be logical to assume that if ITT acquired Hartford, Levitt would give preferences to placing homeowners' insurance with Hartford. While the Maryland law might deter Levitt from forcing purchasers to place their insurance with Hartford, very few purchasers would obtain their insurance independently; most would accept the insurance proffered by Levitt.

In this connection, Mr. [redacted] has personal knowledge that in one of the Levitt developments in New Jersey (in the metropolitan area of Philadelphia, Pennsylvania), Levitt is offering 7 per cent mortgages, which is substantially below the current rate in that area. This rate undoubtedly is made possible by some long-term pre-financing commitment obtained by Levitt several years ago. With the ability to obtain such favorable mortgage terms from Levitt, Mr. [redacted] believes purchasers would accept whatever insurance company Levitt suggested or offered if Levitt does so. If any affiliation were to exist between Levitt & Hartford, such as a merger of Hartford & ITT, Mr. [redacted] believes Hartford would obtain a preferred position in relation to its competitors.

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It is Mr. [redacted] opinion that if ITT acquires Hartford, such a conglomerate merger would be injurious to the insurance industry as a whole, and would have an adverse affect on the business of Riggs-Warfield-Roloson. Mr. [redacted] observed that the strength of an insurance company lies in its surplus, which controls its capacity to accept risks. In the present case, Hartford is a strong, well-managed company. If it is acquired by ITT, it may well be weakened by the ITT management. Mr. [redacted] explained that ITT, with its affiliated Sheraton, Levitt, and Avis operations, needs vast quantities of capital. Once ITT acquires Hartford, the large cash surplus of Hartford immediately becomes available ITT for its diverse enterprises. It will be a great temptation to the ITT management, not insurance oriented, to direct the Hartford surplus into the other operations of ITT.

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Besides weakening Hartford and reducing Hartford's capacity to accept risks, such diversion of Hartford surplus would have a direct effect on agents and agencies such as Riggs-Warfield-Roloson.

For some time now the insurance industry has suffered lack of market (capacity to accept risks) in the United States and England. A number of factors have contributed to this lack of market, including the general "tight money" situation, the increase (or inflation) in value of the property insured and consequent risk exposure, and the drastic reduction in the availability of re-insurance, especially in England.

For example, Riggs-Warfield-Roloson has a customer who is shipping $700,000 worth of merchandise into Newport News, Virginia. Continental, one of the large insurance companies of the United States, is now carrying $200,000 of the risk of this customer, placed through Riggs-Warfield-Roloson. When the customer called Riggs-Warfield-Roloson to increase its insurance to $700,000, Continental told Riggs-Warfield-Roloson it could not absorb the increase, it was fully committed. The agency is having difficulty obtaining the additional coverage required by its customer. This example was cited by Mr. [redacted] to explain his views of the lack of capacity of the insurance companies, which he fears will be aggrevated if ITT should merge with Hartford and further reduce Hartford's capacity by siphoning off surplus from the insurance subsidiary.

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Mr. [redacted] further cited the acquisition of Great American Insurance sometime ago by a conglomerate -- Mr. [redacted] could not recall the name of the conglomerate -- which siphoned off much of the Great American surplus to the detriment of the insurance company.

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Mr. [redacted] also noted the acquisition of Reliance Insurance Company of Philadelphia by Leasco. Reliance is a strong company headed by Mr. [redacted] a conservative, insurance-oriented executive. Leasco is headed by a 29-year-old, aggressive president. To date, Leasco has been prevented from diverting surplus from Reliance, but this is an ever-present danger.

Finally, in regard to the proposed ITT-Hartford merger, Mr. [redacted] observed that although Levitt has access to large capital resources, it needs more. This is evidenced by the fact that at least one large Baltimore bank -- Mr. [redacted] declined to identify the bank -- recently has been approached by Levitt for additional financing. The bank was unable to accomodate Levitt at the time. Should the resources of Hartford become available to Levitt through the proposed ITT-Hartford merger, Mr. [redacted] fears that the Hartford surplus is in danger of being diverted to meet the capital requirements of Levitt and the other ITT interests.

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A further example of the lack of capacity of the insurance industry is a recent experience of Riggs-Warfield-Roloson with a large personal homeowners' insurance policy in the amount of $400,000. U.S. Fidelity and Guaranty reluctantly assumed 37½ per cent of the increase, but only for the remaining life of the present term of the policy; at that time, U.S. Fidelity and Guaranty wants to reduce its exposure to 25 per cent of the policy.

Other insurance companies represented by Riggs-Warfield-Roloson also are putting limits on the amounts of insurance they will underwrite. Each such limitation adversely affects agencies like Riggs-Warfield-Roloson.

With ITT controlling Sheraton, Avis and Levitt, it is in a position to generate a vast amount of insurance business, not only from the Sheraton and Avis credit card holders, but also property and liability insurance on the Sheraton chain property and the Avis fleet of automobiles. If ITT were to acquire Hartford, it seems logical to assume that the lion's share of this insurance business would go to Hartford.

Mr. [redacted] observed that as an independent insurance agency, his firm is strongly opposed to the tremendous expansion of the credit card business in recent years into the insurance field, citing as examples the entry of American Oil Company into the insurance field through its Amoco credit cards. While not strictly germane to the proposed ITT-Hartford merger, Mr. [redacted] noted that such a merger could well lead Sheraton and Avis to offer insurance to its credit card holders, to the detriment of independent agencies such as Riggs-Warfield-Roloson. b6 b7C

As far as Mr. [redacted] knows, neither Hartford nor any other insurance company requires the installation of fire protection equipment for fire insurance purposes. However, the installation of such protective equipment, particularly sprinklers, would certainly have an important bearing on the writing of fire insurance, the acceptability of the risk, and the rate.

Hartford does not specifically recommend that customers install automatic sprinkler systems, nor do any other insurance companies as far as Mr. [redacted] knows, but again, the installation of such a system would be a significant factor in writing a fire insurance policy.

Mr. [redacted] does not know that Hartford recommends any particular automatic sprinkler company; however, it is his opinion that mutual advantages would accrue to both companies if Hartford were to acquire an automatic sprinkler company. b6 b7C

A lucrative field for fire insurance in the Baltimore area is the restaurant business; however, this business also entails a relatively high degree of risk. For example, a restaurant owner very recently approached Riggs-Warfield-Roloson for fire insurance, and it took arrangements with five insurance companies to obtain the necessary capacity. The issuance of the insurance policy was contingent upon the customer installing a sprinkler system. Obviously, with such a situation existing, it is possible that an insurance company involved could at least give a sprinkler company a preferred lead to such a customer.

Mr. [redacted] cautioned that he knows of no arrangement of any kind between Hartford and Grinnell, or between any other companies; however, he can speculate that if ITT acquires Grinnell and then merges with Hartford, Grinnell and Hartford certainly would be in a position which would allow great potential for reciprocity.

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Mr. [redacted] concurred with the foregoing information furnished by Mr. [redacted]

FD-302 (Rev. 4-15-64)

FEDERAL BUREAU OF INVESTIGATION

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Date June 9, 1969

[redacted] Collins and Day Insurance Agency, 6203 Baltimore Avenue, Riverdale, Maryland, advised he had been an agent for the Hartford Fire Insurance Company for 10 years. He said that he has no data available to him showing the rank and share of business the Hartford Insurance Company holds in the county or state. b6 b7C

He said he could not make an intelligent estimate of Hartford's ranking and share of business held among insurers in the area.

He said he does not have any information showing the amount of business created by the Levitt and Sons, Inc. He said he does not have but a couple of customers living in Levitt homes. He said this was due mainly to the problem of connection because usually the purchaser of a new home will take whatever insurance is offered at the time of settlement. He said the clients he has in Levitt homes were with him before purchasing a Levitt home and remained with him after moving.

He said he has not lost any customers to Levitt home purchasers other than the above mentioned circumstances and he does not have any knowledge of any other agencies losing clients in any other way.

He advised that the Hartford Fire Insurance is competitive with other writers in this area; however, Hartford's cost is higher than some of the less reputable organizations.

He advised that if International Telephone and Telegraph Corporation acquires the Hartford Company, he does not feel that it will affect his insurance business. He said that management would probably change and some major changes made; however, he did not feel it would affect him to any great extent.

On 6/2/69 at Riverdale, Maryland File # BA 60-397

by SA [redacted] /lrg 10 Date dictated 6/5/69 b6 b7C

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He advised that he does not recommend to his customers the installation of fire protection equipment. He said he points out to the customers the advantages of having fire fighting equipment and the different rates applied to constructions with fire fighting equipment. He said if the Hartford Company owned an automatic sprinkler company, he would recommend this company to his customers only if he felt it was a good company and produced good equipment. He said he did not see where it would be to his advantage to recommend a company if it was associated with Hartford Fire Insurance Company. He said he did not have any bulletins or directives concerning fire fighting equipment and the Hartford Company does not publish any to his knowledge.